

# Marketing Strategy and Financial Performance: The Case of Chocolate Industry in Macedonia

ISSN 1857-9973

663.91:[658.8:005.21(497.7)]

*Tamara Jovanov Marjanova*<sup>1</sup>, *Ljupco Davcev*<sup>2</sup>, *Bogdanka Boeva*<sup>3</sup>

<sup>1</sup> Faculty of Economics, Goce Delcev University-Stip, [tamara.jovanov@ugd.edu.mk](mailto:tamara.jovanov@ugd.edu.mk)

<sup>2</sup> Faculty of Economics, Goce Delcev University-Stip, [ljupco.davcev@ugd.edu.mk](mailto:ljupco.davcev@ugd.edu.mk)

<sup>3</sup> Postgraduate student, Faculty of Economics, Goce Delcev University-Stip

## Abstract

Different business performance of the companies for many researchers is understood through the influence of marketing. This can be explained through the theory of strategy, since this theory is answering why different companies have different financial performances. The basic purpose of market research is that it allows the determination of a strategy for operation of the enterprise on the market, and establishes the needed specific actions which are to be taken for the strategy implementation, thus designs a marketing model at a level where it creates an organization fully committed to the consumer. The marketing strategy of an enterprise is a complete and unbeatable plan or instrument specifically designed to achieve the set of marketing objectives that will influence the financial performance of the company. The implementation of marketing strategy and its influence to the company financial performance is becoming very important as a topic for practitioners, but also for researchers interested in marketing and finance fields. Actually, the marketing function is assigned for obtaining and gathering financial resources from the environment in order to guarantee continued firm operations. Strategic planning is a managerial process of developing and maintaining the strategic relationship between the companies and changing market opportunities, and is based on development of a mission or strategic direction, goals, strategy, and business portfolio of markets and products (Paley, 2007). Marketing strategy predetermines the choice of target market segments, positioning, marketing mix and allocation of resources. The authors propose a marketing strategy which includes two consecutive steps: first - market segmentation and selection of target group of consumers and second – creation of a marketing mix.

## Key words:

marketing strategy, financial performance, chocolate industry, Macedonia

## 1. Introduction

Marketing involves the exchange of goods or services that represent value between participants (Kotler 2011). A critical component of the exchange concerns the transmission of financial aspects between participants (e.g., Anderson 1982). Actually, the marketing function is assigned for obtaining and gathering financial resources from the environment in order to guarantee continued firm operations (Anderson 1982). Almost every industry with its increasing competitiveness is putting this function on a very important level. That is why a

company needs to implement this marketing strategy in order to be successful and financially stable comparing to its opponents. This is the reason why, the implementation of marketing strategy and its influence to the company financial performance is becoming very important as a topic for practitioners, but also for researchers interested in marketing and finance fields. During years, this research concerning the influence of the marketing strategy on financial performance of the companies, has taken different and even conflicting route. (McAlister et al.2006). Some researches were often focused on the essential marketing functions, presented through price, promotion, product, and place (Mela, Gupta, and Lehman 1997).

Today there is a new marketing reality - fast changes, frequent market turbulence, growing risks and general uncertainty. However, in times of uncertainty, each company must find a position for long-term survival and growth in a given situation, opportunities, goals and resources. The creation of the strategy is the key to finding the position. Corporate strategy, regardless of the size of the company, primarily refers to the "choice of the direction of movement of the entire enterprise and the manner of managing business and business portfolio" (Rumelt et al, 1994, p.42). It is the responsibility of management to look into the future of the markets to determine which products and services should be kept and which - rejected, which products should have aggressive promotion, to decide which parts of the business portfolio should be promoted and which – soled, and to identify priorities in terms of new product development (Luther, 1992). Strategy at the level of the entire enterprise or corporate strategy encompasses three key issues (Wheelen and Hunger, 2012, p.206):

1. The general orientation of the company towards growth, stability or saving (direction of the strategy);
2. Industry and markets in which the company performs with its products and business units;
3. The way in which management coordinate activities and disseminate resources between product lines and business units.

From the observation and analysis it can be seen that the general strategy of enterprises is mostly related to the size of the enterprises, That is, larger enterprises frequently use strategy of growth (vertical integration forward, by taking part of the distribution function or horizontal growth through the introduction of new variations in existing product lines; new lines of products in the assortment; placement in new geographical areas through exports. They rarely conquer new segments of consumers, i.e. develop new markets). Small enterprises often choose a strategy of stability through the application of the strategy of profit, which involves putting the blame for the poor performance of the hostile business environment and reduce investment costs, especially for marketing activities.

Marketing strategy, as a functional strategy leads to achievement of organizational goals and strategy by maximizing the productivity of resources (Wheelen and Hunger, 2012). The orientation of each functional strategy should be compatible with the business strategy on the level of business unit or product and the business strategy of the company in general (Wheelen and Hunger, 2011). Despite the frequent reduction of marketing at the level of function in the company, in the paper marketing strategy is observed at the level of business strategy, which in today's competitive environment must also be a marketing strategy, because the marketing strategy is a process that supports and enables strategic planning according to established marketing opportunities. In fact, the business strategy should be compatible with the marketing and market perspectives. Marketing strategy is simply "marketing logic by which an enterprise / business unit should create consumer value and achieve profitable relationships with customers" (Kotler and Armstrong, 2011, p.47).

When choosing the type of competitive strategy for the market, there are three alternative potentially successful basic strategic approaches that can overcome other companies in a sector (Porter, 1980):

1. Lowest Total costs (achieving low costs compared to competitors, but the quality, service and other areas must not be neglected; it is necessary to have a large market

- share, favorable access to raw materials, a wide range of related products; provides large margins);
- 2. Differentiation (uniqueness of one or more factors company / product; costs are not a major strategic objective; providing customer loyalty and large margins);
- 3. Focus (narrowly targeting a specific customer group or a particular geographic market or another strategic objective; that is achieved either through lower costs or through differentiation or both).

Taking into account the market orientation, marketing strategy of the company in order to fulfill the vision, mission and goals should predetermine: the choice of target market segments (enterprise customers who will be served); the position by offering unique value (how they will be served); the integrated marketing mix (factors under the control of the company - product, price, distribution and promotion) (Kotler and Armstrong, 2008). In the literature, additional attention is paid to the following elements when creating a marketing strategy (Kotler, 1999): primary positioning, price positioning, the total value of the offer, distribution strategy and communication strategy.

## **2. Literature review**

For the period of development of the marketing and finance disciplines, the marketing strategy and financial performance have received important attention. As marketers started to defend the worth of their actions during the last global recession, the need for linking the marketing and financial performance has become the focus point. During the period before the crisis, marketers and financial researchers also insisted for understanding the importance of marketing strategy and its impact on financial performance. However, there is a mismatch relating the enhanced understanding and growing empirical insight with the theories developed to explain firm performance in strategic management (Ketchen and Hult 2011). These kind of strategies, such as marketing strategy, are providing not only developments concerning the conceptual and empirical developments, but also give the sense for the financial analysis for the future steps of the companies.

Numerous studies have established relationships between the marketing strategies and financial performance (Owomoyela et al , 2013; Shoham, 2002; Theodosiou&Leonidou, 2003). Leonidou, Katsikeas and Samiee (2002) propose a study in which a meta-analysis was also conducted to evaluate the relationships between the marketing strategies and financial performance.

Kotler and Armstrong (2006) define a product as anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. They further define a consumer product as the product bought by the final consumer for personal consumption. Consumers buy products frequently, with careful planning, and by comparing brands based on price, quality and style. Borden, (1984) sees a product as about quality, design, features, brand name and sizes. Mohammad et al, (2012) also say that product is the physical appearance of the product, packaging, and labeling Information, which can also influence whether consumers notice a product in-store, examine it, and purchase it. Past researchers have clearly suggested that product influences have a significant impact on business performance (Kazem and Heijden, 2006; Kemppainen, Vepsäläinen, andTinnilä, 2008; Ogunmokun and Esther, 2004; Owomoyela et al, 2013).

Kotler (2007) defines price as a cost of producing, delivering and promoting the product charged by the organization. Zeithaml (1988) is of the view that monetary cost is one of the factors that influence consumer's perception of a products value. Price can be stated as the actual or rated value of a valuable product which is up for exchange; some define it as amount of money paid for product (Kotler et al, 2005). In the studies of Colpan,(2006); Doole et al., (2006) and Owomoyela et al , (2013) they establish significant relationship between price and business performance. The price you set for your product or service plays a large role in its marketability. Pricing for products or services that are more commonly available in the market

is more elastic, meaning that unit sales will go up or down more responsively in response to price changes (Jones, 2007).

Zeithaml et al. (1995) describe promotion as part of specific effort to encourage customers to tell others about their services. According to Duncan (2005), promotion is the key to the market exchange process that communicates with present and potential stakeholders, and the general public. Every firm or store must cast itself into the role of communicator and promoter. Hakansson (2005) also reports that promotion appears as an issue of how to create an optimal mix of marketing communication tools in order to get a product's message and brand from the producer to the consumer. Borden, (1984) defines promotion as sales promotion, advertising, personal selling, public relations and direct marketing. Kotler, (2007) discovers that promotion have become a critical factor in the product marketing mix which consists of the specific blend of advertising, personal selling, sales promotion, public relations and direct marketing tools that the company uses to pursue its advertising and marketing objective. Previous researches (Amine and Cavusgil, 2001; Francis and Collins-Dodd, 2004) have established significant relationship between promotion and business performance.

Jones, (2007) defines place as any way that the customer can obtain a product or receive a service. Bowersox and Closs (1996) give distribution as another name for place. According to them, it is the third element of the marketing mix, and it encompasses all decisions and tools which relate to making products and services available to customers. Kotler and Armstrong (2006), also define place or distribution as a set of interdependent organizations involved in the process of making a product available for use or consumption by consumers. Place strategy calls for effective distribution of products among the marketing channels such as the wholesalers or retailers (Berman, 1996). Owomoyela et al, (2013); Amine and Cavusgil, (2001); and McNaughton, (2002) agree that place has significant effect on business performance.

### **3. Methodology**

For the preparation of the paper is used literature published books, numerous publications, journals, reports, articles, web pages, obtained from libraries, from online sources as well as from previously conducted research for other purposes containing the relevant data for a specific topic i.e. data derived from secondary sources (desk research).

In the methodological analysis of the problems related to market orientation and implementation of marketing strategy and planning in the business, we used well-known contemporary literature by renowned authors in the field of marketing and management, and from the known methods, we used the following:

- The method of induction and deduction - applied to obtain meaningful data on the basis of observation and identifying the individual and specific and, drawing conclusions on issues in the field of market orientation and the creation of marketing strategies and plans, for achievements in the competitive development of enterprises;
- The method of analysis and synthesis - of domestic and foreign literature and practical examples related to this field, by which we perceived the logical and correct way of design of strategic business operations of enterprises based on a breakdown of the composite elements by which we can see the actions that can be applied in this field;
- Method of examination - applied by so-called secondary or desk research as the starting point of the investigation. Through secondary research consulted numerous relevant international, national and local sources (National Statistical Office of the Republic of Macedonia, the Ministry of Economy, the Agency for Promotion and Development of Entrepreneurship, the Economic Chamber of Macedonia, national and international publications and reports, annual financial statements of the companies, online data databases, financial, business and daily press). Also, the results of previously conducted research on consumer chocolate market in Macedonia of a random sample of 300 respondents about their preferences, behavior and way of thinking about existing brands on the market was used.

#### 4. Market segmentation, targeting and positioning

Persistent attempts to sell what is easiest for the company to produce, should be replaced with attempts to discover what consumers want to buy or even better – to tell customers what they need even before they know it. To understand a particular market, it is necessary to have prior knowledge about the type of the market<sup>i</sup>. In most cases, the company can't serve all customers, and it is necessary to identify market segments and select those that the company will be able to serve most effectively. Market segmentation and selection of target group of consumers within a segment are procedures that are closely related to the formulation of marketing strategy of an enterprise. Segmentation would mean separation of heterogeneous markets of homogeneous groups of consumers who have similar characteristics, requirements and needs. There are many factors that influence the segment selection process, and in the case of chocolate market the following should be taken into consideration: geographic factors (where do customers live?), demographic factors (who are the customers?) and psychographic factors (how do the customers behave?).

Geographically, Macedonia can be divided in two segments – rural and urban areas. Macedonia is characterized as migration area with intensive internal population shifts, and a continuous process of migration of population in other states. Regarding the marketing strategy, the recommendation is in favor of the urban areas for several reasons (State Statistical Office of Macedonia, 2008, pp.8-21): Internal migration flows have different intensity in different periods and mostly in relation from smaller cities or villages to the city of Skopje; Although a total of 1762 populated settlements only 36 towns have urban character, 63.85% of the total population or 1,308,464 people are concentrated there, and only in the capital city – Skopje live 24.7% of the total population; Lack of investment to build the necessary infrastructure, especially in rural areas; The transport costs participate with 30% in the price formation and they automatically increase when the product is placed in distant rural areas; Relatively low disposable income of families in rural areas dominated by agriculture, which still belongs to branches with low profitability; Different lifestyles and buying behavior of the population which do not fit the attributes of the product as in urban areas. Within urban areas, towns with over 10,000 inhabitants should be included - in total of 23 in Macedonia: Skopje, Kumanovo, Bitola, Tetovo, Gostivar, Kicevo, Debar, Ohrid, Prilep, Strumica, Stip, Kocani, Veles etc. The total number of population in them is 1,252,953 inhabitants. Before placing the products on these markets, test – marketing should be the previous step, on the territory of Skopje because it is considered the largest consumer market of confectionery products. According to age groups, there is a negative trend - the natural growth of population reduces and the number of elderly population and its share in total population increases. Specifically, in 1994 the share of population from 0 to 14 years of age decreased from 33.2% to 19.2% in 2006, with forecasts that it will continue to decrease to 17.4 (2010), 15.4 (2020) and 14.4% (2030). In contrast, the share of older population is increasing from 8.5% (1994) to 11.2% (2006). On the other hand, there is an opportunity to use the so-called demographic bonus (there is still greater participation of the active population in opposite of young and old people), i.e. the rate of active population is 56.5. The total workforce is 919,424 people of whom 609,015 are employed, 310,409 unemployed, and 40,8% are with high school and 14,2% with higher level of education (State Statistical Office of Macedonia, 2009, pp. 263-264). The average net salary in December 2010 amounted to 21,454 mkd. The total cost for food and beverages totaled 12,342 mkd, i.e. 42.5% (<http://www.stat.gov.mk>). In terms of age, it is recommended a segment of population older than 10 years to be selected, primarily due to the nature of children's perceptions regarding the benefits of the products, and also because for this group of consumers a specific line of products is needed, where the presentation of the products should be completely different from all others which requires hiring additional funds for the promotion of chocolate. Within this market segment a strong domestic and foreign competition exists in terms of a large supply of cheap chewing gum, lollipops, caramels, cookies and chocolate desserts, and it becomes harder to extract the limited pocket

money primarily for chocolate without specifically focusing on that group of consumers. Regarding the life cycle of the family the following segments may be included: Teenagers and students; Youth - singles / couples / bachelor / unmarried or divorced (with or without children); Young couples with or without children; Married couples with children older than 18 years; Couples without children; Older married couples; Older singles and divorced. In terms of revenue, the segment can be determined in individuals with personal monthly income of minimum 6000mkd, or households that have a minimum total monthly income of the average net salary for 2-3 members and opportunities to purchase at least one TV and access to cable television or Internet. The research shows that all consumers, regardless of education, gender, occupation, race and ethnicity consume chocolate products, which means that the segment should include young people - school age (primary and secondary education) and adult individuals (secondary and higher education), male and female, from all kinds of occupations, races and ethnic groups that belong to existing or potential customers. Universal consumption of chocolate is changing and moving from consumption on occasion to every day, normal consumption. Also, consumer preferences in terms of pack size are changing - bigger to smaller, individual packaging, in terms of value - a better value for the price, housewives and employees have less time to prepare home sweet snacks etc. When buying chocolate consumers don't invest much effort and time, procurement is often impulsive and unplanned, from the nearest store. In Macedonia people pay particular attention to family, friends, children, and in recent years to personal achievements and success, individualism, material comfort and health. In terms of social class the following segments may be selected: Upper middle layer which account for almost 12% of the population, (pusher, successful business people and professionals, with a status based on occupation and earnings, beautiful clothes and attractive home, not price-sensitive); Lower middle layer with about 30% of the population (conservative, respectable, conscientious, require highest value for the price, higher education for their children); Higher low layer comprising about 35% of the population (workers with limited education, seeking safety in the workplace, impulsive when buying, loyal to national brands of products). In terms of personal characteristics of consumers and their values and lifestyle, selected segment may include: Consumers "believers"(middle-class people whose lifestyles are driven by external criteria, are conventional and are quickly adapting to circumstances, their life revolves around family, church and wider community, are careful buyers of mostly conventional products and are primarily driven by the popularity of products, are loyal to the brand); Consumers - "achievers"(are motivated by the desire for success - work oriented, with a sense of responsibility, good education, live a normal life, respect the authority buy known products and products that can save them time); Consumers - "experiencers"(young, enthusiastic, impulsive consumers open to novelty and risk taking, and mostly driven by self - expression, looking for excitement and risk, socially active, give away money on products that are in trend and serve to socialize - clothes, fast food, music, movies, and are impulsive shoppers); Consumers - "pushers" (are motivated by success, seek approval and admiration from those around, are impulsive buyers). Common thing for these groups of consumers are: the benefits expected from the product - satisfying the desire for something sweet, the preferred attributes - all appreciate the quality, taste, packaging and product availability, and are not immune to communication that would have the greatest effect if taken as a base connection with real life and elements of emotion or involvement of good models, music and modern design. They all are not extremely sensitive to price and in case of better quality, would pay a higher price for the product. They all buy branded products, as much as the revenues allow, and are family and success oriented.

The target group for chocolate products should include consumers over the age of 10 - young people in primary and secondary school, students and employees with secondary or higher education that live and work in urban centers with over 10,000 inhabitants, from different professions, with an active life, socially mobile, devoted to family and the wider community, from middle and higher low social layers, impulsive buyers, with a desire to succeed, loyal to the national/domestic brands, who are not too price sensitive, appreciate the quality of products, and are willing to try new products.

The positioning of the product and the company can be done through a new solution for old problems, on the base of consumers' behavior (the rising awareness of the advantage when using domestic products), products characteristics (quality and taste, communication, availability, packaging) and the usefulness of the product. For competitive positioning of chocolate products, all selected qualities for positioning can be summarized in a message: "For vigorous and healthy people – chocolate lovers, quality homemade chocolate for whenever and wherever the desire for the sweet "sin" is stronger than you - at school, at work, with family at home, as a gift for the beloved, at a walk with friends ...".

## **5. Marketing mix for chocolate products**

The purpose of the marketing mix should be to create a product that offers the greatest value for the price, according to the taste and eating habits of the target consumers, which will be easily accessible, attractive and desirable for consumers. In the struggle for a better market position, based on the results from the survey, the following competitive steps can be implemented: Differentiation of products - through technical, informative or distribution differentiation of products; Change in prices - price increases according to consumer opinion for appropriate price and adjustment to competitors prices, for gaining a temporary advantage; Creative use of distribution channels - using vertical integration forward or backwards, or use channels that are new and unconventional for the industry, such as chocolate bars, bakery shops, fast food restaurants, etc.; Creating an effective and efficient communication with customers that will build an unbreakable connection with the community, affiliation and love for the brand product and the company.

### **5.1. *The product***

Domestic products are in the stage of maturity of the life cycle, most consumers are not familiar with them, and are seen as cheap products, with medium to low quality, too sweet, not enough available and without a recognizable name or brand of the product. The proposal regarding the policy of chocolate products is towards change from commercially oriented into proactive market-oriented politics and products, which can be achieved in two ways: Through innovation of products or their differentiation in order to adapt to the needs and wants of consumers and separate them from competing products on the market; Through elimination or removal of products that do not suit the needs and demands of the market. According to the above, especially from the influence of the life cycle of products, a strategy of modification of products can be applied by increasing the forms in which it appears, by improving quality, adding new features and upgrade the aesthetic features. In the assortment of chocolate products a combination of the corporate brand and individual product brand should be applied, i.e. a multi brand strategy which reduces the risk of concentrating only on one brand of product, and also in long term it is important a complete portfolio of chocolates to be offered. The focus of the companies should be on few key product lines: milk chocolate (100gr), boxed chocolate (150-250gr) and molded bars (30-35gr), as they are expected to be the markets with the largest future growth. The packaging of the products can be a mixture of modern and retro design, a combination of three colors - black and white with red detail, both to attract consumers who prefer modern and those who would like the retro design and build a connection between the present and the past. The packaging must protect the product from moisture, keep it fresh, be attractive and appealing, and make it easier to recognize the product and also be appropriate if the product is bought as a gift. The success of the product or brand, according to survey results will depend mostly on: distribution network; standards for quality; continuity of research; development of new products and communicational support.

### **5.2. *The price***

The great importance and impact of price and price increase on gross profit in a company was proved in 1992 (McKinsey & Company, 2003) when the results of a research of 2400 companies, have shown that increases in the price by 1% leads to increase in profits by 8%, while reduction in fixed and variable costs by 1% leads to two times smaller increase in profits, while increasing the sold amounts by 1% leads to three times smaller increase in profits. Considering that the price determines the scope and structure of sales and size of the financial result in the determination of the price policy several factors should be taken into account: cost, corporate objectives, strategy, marketing mix, product life cycle of products demand, competition, positioning, etc. The procedure used in determining the prices of chocolate may involve several stages, including: main objectives of the price formation, cost analysis, price analysis and competitors pricing policies. When introducing a new or improved product to market, the company can use four alternative strategies of price/quality (Kotler P., 2001, p. 604): 1.Strategy of high prices - high quality (premium strategy) 2.Strategy of low cost - high quality (good value strategy), 3.Strategy of high prices - low quality (strategy of over - charge) and 4.Strategy of low prices - low quality (strategy of economy). When the product is in the stage of maturity in the life cycle, the main objective of the price should be - matching to the one of the competitors or beating the competitors' prices (Kotler P., 2001, p. 538). Analysis of demand show that the demand for chocolate is not price elastic, i.e. that consumers' are willing to pay a higher price for quality product. In terms of competition, the company should not attack the market leaders, but fight at the level of enterprises of its size and smaller, and in terms of pricing - determine lower prices than the ones of the market leaders, and higher prices compared to competitors that are being attacked. Thus, as a method of pricing a combination of the value for the buyer that can be detected through conjoint analysis and experimentation<sup>ii</sup> and adaptation to the competitive prices should be applied. Simultaneously, the quality and taste of the modified products will have to justify the higher prices. This price will occasionally have to suffer corrections, or adaptations for special events - holidays and promotional prices for cleaning of supplies. For wholesale sales price the system of discounts can be taken into consideration – cash discount for immediate payment, in order to maintain liquidity, and quantitative rebate for buying larger quantities of products at once or over a period of time. The selling price to retailers can include functional/trade discount – participation in the promotional activities of the company.

### **5.3.    *The place***

The success of consumer products largely depends on the distribution. Distribution as an element of the marketing mix brings the products to market, intensifies the demand for existing products, and provides better position of the company on the market and others. In the design of marketing channels a great role play the resources of the enterprise, the objectives, the nature of the product and positioning strategy. If the goal is increasing the market share, then it is better for the company to develop direct sales to the end consumer, because in that case the costs for the sale force are lower than in case where intermediaries are engaged. On the other hand, if resources do not allow the company to significantly expand its retail network as an alternative option is inclusion of intermediaries in the process, whereby instead of selective distribution, the company needs to use intensive distribution, involving as much as possible mediators at every level of the channel. Chocolate is a category of the product that is essentially a subject of pull - strategy, but the members of the channel allow greater product visibility, which is of great importance because it is a conventional product and a subject of impulse purchase. This means that the best strategy would be combination of the pull - and push – strategy. The product should be made available in most supermarkets and discounters, and in as much as possible conventional stores, i.e. the product should to be placed in at least all those retail outlets where products of the direct competitors are placed. For example, the product should be placed in stores at busy locations - near schools, city's downtown, near green markets, near fast-food restaurants, gas - stations, as well as kiosks, in order to expand and deepen its distribution network, in order to maintain intensive instead of selective market presence. According to the preferences and habits of consumers, they are willing to buy



competitive brands when a company's brand is insufficiently available, which is the most expensive price that can be paid - loss of existing and potential customers. In the retail stores, chocolate products should be placed on a visible position, in the same category of competitive products, but separated from them in specially designed and branded shelves which will increase the visibility of products, and allow storing multiple types of the brand products together in order to create consumer awareness for them and look more attractive than competing products. Due to the impulse purchase of chocolate, molded bar chocolates can be placed near the pay –toll. The company should consider placing the products in innovative channels, for example: most visited local cafes in the cities, in ice-cream shops, in restaurants, fast food chains, at bookstores and gift – shops, where the products can be offered as a dessert after eating or increase enjoyment while reading a favorite book.

#### **5.4. *The promotion***

The promotion of the product should support the primary objective of positioning of the brand, which largely depends on the correct mix of elements of promotion. This means convincing communication with the consumer, in particular for creating a high level of awareness about the products, information regarding changes to products, creating an interest and connection with the consumer with the ultimate goal of leading him to action, i.e. to buy the product. When there is great "fuss" in the air, the message presented to consumers should be clear and simple message that is consistent with consumer beliefs and perception, rather than the reality of the product. In a case when the company is not first on the market, it can find an unoccupied position, and in circumstances where on the market the most popular brands of chocolate are the foreign ones, for successful positioning can be used the fact that there is a lack of a domestic brand of chocolates, or/and in terms of eventual replacement of the existing foreign with other imported brands - better quality, better/new taste, attractive packaging and availability of the product. These few elements can be effectively used in creation of promotional messages to consumers. Methods of promotion of the products may include economic propaganda, publicity and sales promotion, and public relations. The objectives of the economic propaganda, according to the results of the survey of consumer preferences, should be both communication and sales goals: positioning of the product as a quality (homemade) chocolate, with the highest value for the price for everyone, on every occasion, any place, any time of day; create awareness of new flavors and sizes, in new packaging; encourage product trial; aggressive and competitive campaign; enhancing the corporate image/identity. The budget for promotion can be created with a combination of the method of competition and method of percentage of sales. Promotional costs in the market are dominated by the main players - Milka, Nestle, Dorina and others, which set out the rules of the game to a higher level, and make it necessary to take aggressive competitive campaign. At present, most of the domestic producers of chocolate have no, or a budget of at most 3% of annual turnover, where marketing activities and promotion are not seen as an investment, but as a cost<sup>iii</sup>. The design of the content of the message should include a certain appeal to consumers, that may be based on the fact that chocolate is a fun and healthy product that quickly creates a feeling of satiety, so it can be shown as an enhancer of mood, and as a gift. Elements of emotion can be used - a feeling of love, friendship, pleasant surprise - and joy etc., and also the product can be presented as a source of energy, concentration and inspiration in the intense moments during the day - sports, games, strenuous working hours, learning and so on. The message should have a conclusion - because action is expected soon, and the strongest parts should to be placed at the beginning of the message. The form of the message may be displayed through interesting scenes such as: a picnic, faculty activities, working in the office, at home in front of the TV, before /after training - fun activities of daily living of the population that will contribute to association of chocolate as a fun product that is used in every moment of the day. The source of the message for printed media and outdoor advertising (billboards, posters, etc.) can be a striking slogan that will also be used in advertising and TV, along with pictures of the products on a simple background or image of faces of people from different nationalities, ages, gender etc., that bite a piece of the chocolate.

Source for electronic media can be entire families, young couples, friends who spend time together, enjoy and take joy in chocolate, followed by music from a famous artist and impressive slogan. The media through which the message should be presented are from the group of impersonal media including: print and audiovisual (radio and national television<sup>iv</sup>) media, social media and display media for outdoor advertising. The period of broadcast of the ads, or investment in the economic propaganda may be continuous with fluctuations depending on the volume of invested funds. The success of the economic propaganda may be controlled with the help of pre - testing (focus groups) and post - testing (percentage of consumers who know the product after the campaign and percentage who changed their attitude after the campaign). Economic propaganda contributes mostly in increasing the sales in the growth stage of product life cycle and maintains the current sales volume in the phase of maturity of the products. The main goal of sales promotion is to encourage the sale immediately, and to change the attitudes of the consumers, but the effects are on short term and therefore should be used sparingly, in a short period of time. The decision to buy chocolate is not pre-planned and because of that, the techniques of sales promotion (combination of sales promotion activities aimed at end customers and to intermediaries) can effectively be used. Promotion of sales should be directed towards two target segments: The end consumer (trade stamps and savings cards - given at the first purchase, contests and lotteries, which may occasionally be organized to encourage demand for holidays and in the season of lower demand – spring – summer, i.e. May to August); The intermediaries (such as cash discounts, giving an additional quantity of product for free when larger quantities are ordered, placing mini - coolers and other types of displays for sale or point of purchase (POP) designed by the manufacturer and shipped to retailers for a particular brand of product or group of products. The forms of POP are different and vary from one industry to another, but most often encounter the following: special shelves, exhibition cards, pennants, signs and various mechanical mounts of the product). Publicity and public relations can be effectively used for creating brand awareness for new products, and creating positive attitudes among the public for the enterprise as a whole. The company has to promote new products, to notify about new technology, received certificates for implemented standards for quality, received awards, possible partnership with other companies or organizations, participation in humanitarian actions of individuals or the community at large etc. This can be done through press releases sent to various media and organized events that are closely related to sponsorship and also certain popular series or movies that are shown on television can also be sponsored. The marketing strategy should also have a plan for implementation of control activities. Key points that should be controlled are the satisfaction and approval of buyers and consumers (through proposals and questionnaires), monitoring of sales (through reports on sales and financial indicators - per month), competition (through examination and monitoring of dealers reactions of competitors), development and progress of the sales force (through training and research - mystery shopping).

## **6. Conclusion**

The strategy of the company refers to providing solutions on how the company can transfer the operations from the current position into the desired future position, and achieve the desired end results. The need for strategy formulation is motivated by the need to set the strategy direction, to enable the company to maneuver through turbulent business environment. It is necessary to rationally use resources and to promote coordinated development of the ongoing activities, i.e. to trace the development and the way of its accomplishment. The necessity of market research is also confirmed as a function of the

strategy that provides an efficient and effective decision making for marketing on a particular market. Market research, according to the value of market research industry worldwide, is one of the key instruments of marketing - management used to find, collect and analyze basic data that lead to valid information for decision making and increase competitive advantage. The significance of market research essentially stems from changes in business conditions that lead to technological change, increasing complexity of managerial work, increasing complexity of the external environment, increasing the spread between decisions and outcomes. The need of enriching the knowledge and enabling managers to possess the right information at the right time, which helps in creation of a business unit strategy or corporate strategy in general calls for devoted action of changes in the managerial way of thinking and therefore the way of doing business. Food industry is one of the industries that intensively and in large amounts invests in market research. In the Macedonian chocolate industry and market, the domestic companies feel a lack of market information featuring: customer needs, requirements and preferences; market size; market potential; market growth; the available and suitable types of research techniques; etc. This situation results in a vague business strategies and weak market position in relation to foreign competitors with a market orientation in the work. Changes in the work of the domestic companies can be made with the proper use of market research for obtaining all the necessary information about the chocolate market (size, potential growth, profitability of a particular market/industry, consumer preferences). The companies can choose from a variety of techniques for analysis of technological, economic, political, legal, sociological, cultural factors outside the company environment (PEST/EL, SLEPT, Porter's 5 – forces model) and internal company factors - strengths and weaknesses (SWOT, Six Sigma Marketing, etc.). The competitive marketing strategy for chocolate products should be a strategy of differentiation of the products, with prices higher than the ones of the competitors that are attacked, but lower than the ones of the leaders on the market. The product should be placed on the market through intensive distribution and supported with integrated marketing communications consisted of economic propaganda, sale promotion, PR and publicity. On the end, a system of control should be implemented in order to insure the proper execution of the marketing activities.

---

<sup>i</sup> Basically there are several types of markets, depending on the buyer: market of producers, market of consumers, market of resellers, government as a market and international market.

<sup>ii</sup> Conjoint analysis is a statistical technique used in market research to determine how people value different features that make up an individual product or service, and experimentation fits into the test - marketing where the product is offered at different stores, on a different price, in areas where consumers have similar characteristics, with the same promotional campaigns, *ceteris paribus*, and afterward the sales are monitored in order to determinate how consumer behave.

<sup>iii</sup> The information is obtained from the managers of the companies, through telephone interview.

<sup>iv</sup> In the structure of free time activities of persons aged from 20 to 74, by groups of activities, the activity with the highest rate is watching television 37% men and 39% women. For more see: Republic of Macedonia State Statistical Office. (2011). *Time use survey, 2009. Statistical review: population and social statistics*. Skopje. <http://www.stat.gov.mk/Publikacii/2.4.11.01.pdf> (visited at 27.09.2011)

## References

1. Aaker, David A. and Robert Jacobson (1987), "The Role of Risk in Explaining Differences in Profitability," *Academy of Management Journal*, 30 (2), 277-96.
2. Ahuja, Gautam and Sai Yayavaram (2011), "Explaining Influence Rents: The Case for an Institutions-Based View of Strategy," *Organization Science*, 22 (November- December), 1631-52.
3. Amit, Raphael and Birger Wernerfelt (1990), "Why Do Firms Reduce Business Risk?" *Academy of Management Journal*, 33 (3), 520-33.

- 
4. Anderson, Eugene W., Claes Fornell, and Sanal K. Mazvancheryl (2004), "Customer Satisfaction and Shareholder Value," *Journal of Marketing*, 68 (4), 172-85.
  5. Anderson, Paul F. (1982), "Marketing, Strategic Planning and the Theory of the Firm," *Journal of Marketing*, 46 (2), 15-26.
  6. Antioco, Michael, Rudy K. Moenaert, Adam Lindgreen, and Martin GM Wetzels (2008), "Organizational Antecedents to and Consequences of Service Business Orientations in Manufacturing Companies," *Journal of the Academy of Marketing Science*, 36 (3), 337-58.
  7. Atuahene-Gima, Kima (2005), "Resolving the Capability—Rigidity Paradox in New Product Innovation," *Journal of Marketing*, 69 (4), 61-83.
  8. Chakravarty, Anindita and Rajdeep Grewal (2011), "The Stock Market in the Driver's Seat! Implications for R&D and Marketing," *Management Science*, 57 (9), 1594- 1609.
  9. Curtis Vreeland. (2010). "Chocolate Market in the U.S.: Trends and Opportunities in PremiumGourmet and Mass Chocolate Products. Packaged Foods. MarketResearch.com.
  10. Dragičević, A. (1965). *Leksikon političke ekonomije II*. Zagreb: Informator. p .425
  11. Day, George S. (1994), "The Capabilities of Market-Driven Organizations," *Journal of Marketing*, 58 (October), 37-52.
  12. Fama, Eugene F. and Kenneth R. French (1992), "The Cross-Section of Expected Stock Returns," *Journal of Finance*, 47 (2), 427-465.
  13. Fang, Eric, Robert W. Palmatier, & J.E.M. Steenkamp (2008), "Effect of Service Transition Strategies on Firm Value," *Journal of Marketing*, 72(5), 1-14.
  14. Hague, P. (2006). *B2B International - A Practical Guide to Market Research* . Grosvenor House Publishing Ltd. p.6
  15. Hague, P. (2006). *B2B International - A Practical Guide to Market Research* . Grosvenor House Publishing Ltd. p. 22-24
  16. Jacobson, Robert and David A. Aaker (1985), "Is Market Share All That It's Cracked Up To Be?" *Journal of Marketing*, 51 (4), 11-22.
  17. Johnson, Michael D. and Fred Selnes (2004), "Customer Portfolio Management: Toward a Dynamic Theory of Exchange Relationships," *Journal of Marketing*, 68 (2), 1- 17.
  18. J.Riderstrale, K. N. (2002). *Funky business*. Book House Publishing.
  19. J. Williams.(2004). *CIM revision cards. Marketing research and Information*. Elsevier Ltd. p.20
  20. Jellema M., S. A. (1997). An Object - Oriented Model of an Industrial Enterprise and its Environment. *Proc. European Simulation Multiconference 1997 (The Society for Computer Simulation International)*. Istanbul.
  21. Joshi, Amit M. and Dominique M. Hanssens (2009), "Movie Advertising and the Stock
  22. Market Valuation of Studies: A Case of "Great Expectations?" *Marketing Science*, 28 (2), 239-50.
  23. Kotler P., A. G. (2001). *Principles of Marketing. Third European Edition*. Pearson Education. p.538
  24. Kotler P., A. G. (2001). *Principles of Marketing. Third European Edition*. Pearson Education. p. 604
  25. Kotler, Philip (2011), "Reinventing Marketing to Manage the Environmental Imperative," *Journal of Marketing*, 75 (4), 132-35.
  26. Lane, Vicki and Robert Jacobson (1997), "Stock Market Reactions to Brand Extension Announcements: The Effects of Brand Attitude and Familiarity," *Journal of Marketing*, 59 (1), 63-77.
  27. Luo, Xueming and Chitra Bhanu Bhattacharya (2006), "Corporate Social Responsibility, Customer Satisfaction, and Market Value," *Journal of Marketing*, 70 (4), 1-18.
  28. McKinsey & Company. (2003). The Power of Pricing. *The McKinsey Quarterly*. No.1, p. 29.
  29. Michael, P. E. (1985). *Competitive Advantage: Creating and Sustaining Superior Performance*. NY: Free Press. p. 225
  30. Markovitch, Dmitri G. and Peter N. Golder (2008), "Findings-Using Stock Prices to Predict Market Events: Evidence on Sales Takeoff and Long-term Firm Survival," *Marketing Science*, 27 (4), 717-29.

- 
31. McAlister, Leigh, Ruth N. Bolton, and Ross Rizley, eds. (2006), *Essential readings in marketing*. Marketing Science Institute.
  32. Mela, Carl F., Sunil Gupta, and Donald R. Lehmann (1997), "The Long-Term Impact of Promotion and Advertising on Consumer Brand Choice." *Journal of Marketing Research*, 34 (2), 248-61.
  33. Mittal, Vikas, Eugene W. Anderson, Akin Sayrak, and Pandu Tadikamalla (2005), "Dual Emphasis and the Long-Term Financial Impact of Customer Satisfaction," *Marketing Science*, 24 (4), 544-55.
  34. Mizik, Natalie and Robert Jacobson (2008), "The Financial Value Impact of Perceptual Brand Attitudes," *Journal of Marketing Research*, 45 (1), 15-32.
  35. Oliver, Christine and Ingo Holzinger (2008), "The Effectiveness of Strategic Political Management: A Dynamic Capabilities Framework," *Academy of Management Review*, 33 (April), 496-520.
  36. O'Bornick, M. (2002). *Growth Strategies In Packaging Food And Drink To 2007: Identifying the key market sectors*. Business Insights Ltd. p. 19-54
  37. Paley, N. (2007). *The Marketing Strategy Desktop Guide*. UK: Thorodood Publishing. p.17
  38. State Statistical Office of Macedonia.(2008).*Publication - Macedonia in numbers 2008*. Skopje. pp.8-21
  39. State Statistical Office of Macedonia. (2009). *Publication - Macedonia in numbers 2009*.Skopje. pp. 263-264
  40. <http://www.mchamber.org.mk/%28S%28tdxvop55ig1bkr551hz2py45%29%29/default.aspx?mld=130&lld=1&smld=6> (visited at 15.09.2011)
  41. <http://www.euromonitor.com/chocolate-confectionery-in-macedonia/report> (visited at 16.06.2011)
  42. <http://www.mbdp.com.mk/en/index.php> (visited at 10.05.2011)
  43. Business Insights. (2008). *Future Convenience Food and Drinks – New opportunities in a developed market*. [www.scribd.com](http://www.scribd.com) (visited at 8.08.2009)
  44. Packaged facts. (2010). *Chocolate Market in the U.S.: Trends and Opportunities in Premium, Gourmet and Mass Chocolate Products*. MarketResearch.com - Packaged facts.
  45. <http://www.marketresearch.com/Packaged-Facts-v768/Chocolate-Trends-Opportunities-Premium-Gourmet-2505082/> (visited at 05.07.2011)
  46. Packaged facts. (2002). *The Chocolate Market*. Packaged facts – a division of MarketResearch.com <http://www.marketresearch.com/Packaged-Facts-v768/Chocolate-186930/> (visited at 05.07.2011).
  47. <http://www.stat.gov.mk/PrikaziSoopstenie.aspx?rbtxt=42> (visited at 13.19.2011)